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NEWS RELEASE

FOR IMMEDIATE RELEASE

PARAMOUNT TURNS UP THE HEAT ON GAS – BITUMEN ISSUE

Company believes gas production poses low impact to bitumen recovery.

Calgary, AB – January 27, 2004:- Paramount Energy Trust (“PET” or the “Trust”) (TSX – PMT.UN) believes that the worst-case impact of the gas/bitumen issue on the Trust was significantly reduced by the release of the EUB Staff Submission Group (“SSG”) recommendations with respect to the gas production status of wells in the Wabiskaw-McMurray Formation in Northeast Alberta.. PET is concerned that the process remains flawed and places much gas production unnecessarily at risk. PET remains critical of the Alberta Energy and Utilities Board (EUB) for its expedited process and is seeking the application of due process supported by sound technical analysis to prove the case.

Paramount, along with other companies, has taken steps to challenge the EUB process. An application for leave to appeal GB 2003-28 has been filed challenging the validity of the process and a decision expected soon. Paramount, along with other industry members, recently sent letters to the EUB seeking a change to the current process. EUB has responded inviting written comments by January 30, 2004 on the matters raised regarding the process.

Despite the challenge to process, industry is still required to file a notice of disagreement to the SSG release by February 9, 2004. “We have no choice but to participate in the current accelerated process. However, we will pursue every avenue available to seek due process on this very serious issue,” said Sue Riddell Rose, President and Chief Operating Officer. “We will be seeking full hearings for all of our gas assets threatened by a shut-in order and we will present technical evidence to show our gas production has no critical impact on potentially recoverable bitumen”

The potential impact to PET is the shutting in of 27% (24.4 MMCF/d) of its production of which 7.9 MMcf/d was shut-in on September 1, 2003 as a result of the EUB General Bulletin 2003-28. Paramount’s Legend property (Liege Field) will remain on production. Production from this field allows the company to preserve about \$2.6 million per month of cash flow and supports the commencement of the winter capital program.

Paramount has met with the Government of Alberta regarding the amount, timing and form of financial assistance the company should expect if any gas production is ultimately shut-in. “Every step possible will be taken to preserve our Unitholders’ value and to present our case as to why gas production in northeast Alberta poses no threat to ultimate commercial bitumen recovery which can’t be addressed by technology. Technical solutions must be more aggressively sought and accepted to alleviate the perceived risks,,” noted Sue Riddell Rose.

The impact of gas well shut-in poses a more than \$1 billion economic impact to Albertans and represents some \$60 million in annual royalty revenue to the province. There is no evidence that the bitumen industry will quickly develop to offset this loss and it is not evident that the EUB and more importantly, the Government of Alberta, have evaluated the socio-economic impacts resulting from gas production being shut-in.

“Communities will be needlessly affected and the potential economic impact is significant,” added Riddell Rose.

Paramount has been a leader in presenting the case for continued gas production in northeast Alberta and has presented much information in support of its position that potential bitumen recovery is not at risk. In addition, the company has pointed to technology as a key solution to maximizing future bitumen recovery over and above levels currently understood or expected by industry.

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